

CATAWBA COUNTY, NORTH CAROLINA
June 20, 2005

CATAWBA COUNTY BOARD OF COMMISSIONERS

Ladies and Gentlemen:

I hereby submit my approved Catawba County Fiscal Year 2005/06 budget in the amount of \$194,522,770. This is a 17% decrease from the budget adopted June 2, 2004, because last year's budget included funding for major capital projects such as the new Maiden High School and expansion of the Newton Jail.

The budget funds improvements to education, economic development, and the environment, as identified in the FORESIGHT strategic plan. It invests in teacher performance and the environment, emphasizes customer service, funds the increase in State mandated Medicaid expenditures and continues Catawba County's long term plans to deal with issues of growth, emergency services, and solid waste disposal. The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act.

Our Financial Picture Is Improving

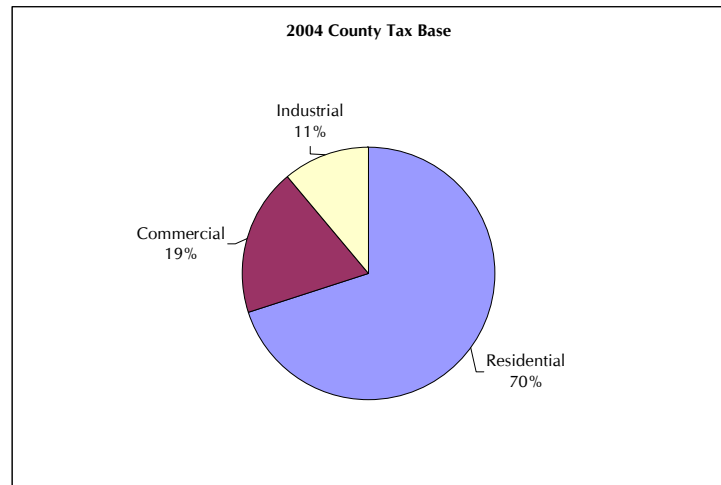
There are significant indications that the local economy is improving.

- Since October 2004 the Hickory Metro's unemployment rate has steadily decreased to 6.1%.
- Jobs have been created in a variety of sectors—administrative and waste services (up 1,258 or 22.6% in the last four years), accommodation and food services (up 535, or 5.2%), public administration (up 532 or 7.7%), retail trade (up 323 or 2%), wholesale trade (up 284 or 4.6%), health care and social assistance (up 290 or 1.6%), educational services (up 275 or 2.5%), entertainment and recreation (up 107 or 9.2%).
- While job losses continued in several manufacturing sectors—furniture, apparel, and textile mills—other manufacturing sectors showed gains—transportation, computers, electronic products, and textile mill products such as sheets and towels.
- Service sector industries—administration and support services, food services and drinking places, recreation, and education services—showed healthy growth, reversing trends of the last several years.
- In 2004, the Economic Development Corporation announced investments by several sectors including automotive and plastic manufacturing that totaled

Forbes Magazine May 2005
Top 5 Metro Areas to start a business (based on labor, energy, and tax costs): Albuquerque, NM; Lexington, KY; Tulsa, OK; Oklahoma City, OK; Hickory, NC.

\$242 million and created 509 jobs, all paying above average wages. These announcements earned Catawba County 3rd place in the Small Market Category in Southern Business & Development magazine's newest 100 Ranking in the southeast.

- Catawba County's 3.7% growth rate from 2000 through 2003 was the fastest of the Hickory MSA's four counties, the 29th fastest in the State, and the 16th greatest population gain of the State's 100 counties. Catawba County's population change is being equally driven by natural growth and international net in-migration. Hispanics are the fastest growing minority group in the Hickory MSA, mirroring trends in the United States.
- Hickory MSA bank deposits exceeded \$4 billion for the first time ever, with an increase of \$101 million between June 2003 and June 2004. This ranked the Hickory MSA 143 out of 369 MSAs in the United States, with more deposits than the Savannah, Georgia, Corpus Christi, Texas or Myrtle Beach, South Carolina, MSAs. Catawba County banks held \$2.3 billion, ranking 8th of all 100 counties in North Carolina.
- Sale of property in Catawba County is exceeding tax values. While industrial property in 2004 sold for 6% less than tax value, commercial property averaged 17.5% more than tax value in 2004, and residential property averaged 7% more than tax value. These are important trends, because the County's tax base is 70% residential, 19% commercial, and only 11% industrial.
- Sales tax revenues increased strongly in 2004. Revenues for Fiscal Year 2004/05 exceeded the projected budget, a good indication that our local economy is improving.
- Commercial flights are now available at Hickory Regional Airport through Delta Airlines, offering daily flights to and from Atlanta. This is important to our region's identity going forward and key to our economic development.
- The Hickory Metro Higher Education Center has graduated its first class of 62 students. The Center is an innovative, first of its kind in North Carolina, partnership between Catawba County, the City of Hickory, Catawba Valley Community College, Lenoir-Rhyne College, and Appalachian State University, to meet the needs for graduate, undergraduate, non-credit certificate courses, and specialized workforce training. It continues to receive State funding along with local support from Catawba County and the City of Hickory.



As the County's economy steadily improves, careful planning along with strategic commitment and investment will continue to make Catawba County an excellent place to live and work. We must create diverse economic development that will stand the test of time and weather economic trends. Our community must place a higher value on excellent education and continuous learning in order to be competitive. We must be good stewards of our environment and land to preserve them for future generations. We must carefully lead growth, prepare for an aging population, encourage healthy lifestyles, and focus on excellent public service delivery. Catawba County has always enjoyed a strong work ethic and entrepreneurial spirit, valued diversity, and quality of life, and enjoyed public-private cooperation. These characteristics will continue to bode well for our future success.

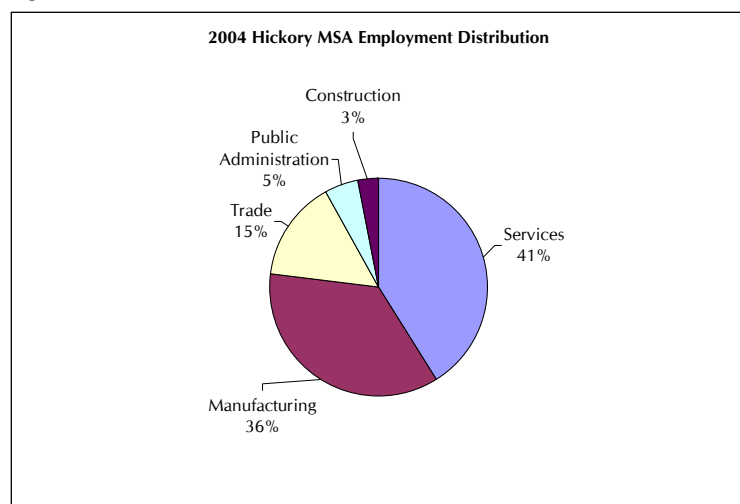
Moving forward and planning for the future

Catawba County has always had the reputation of being a progressive, forward thinking community that enjoys good government at a low cost to citizens. We have survived some difficult economic times over the last three years by making budget adjustments and reductions where and when they were needed, always with the goal of not diminishing the quality of our core services or the investment in the County's economic future.

Knowing the importance of investing in our economic future, we continue to fund 52% of the Economic Development Corporation, charged with supporting our current industrial base and recruiting new industries. In the past three years this has included new marketing efforts to recruit large non-manufacturing businesses to our area. The budget provides funds to advertise through the Convention and Visitors Bureau and the Chamber of Commerce Visitor Information Center, as well as funding to support the Greater Hickory Golf Classic, which was held for the first time in 2003. It is estimated that this event has had an economic impact of approximately \$25 million annually in our County. The budget also finances part of the recent expansion of the Hickory Metro Convention Center in order to attract and host larger conventions and conferences, such as the North Carolina League of Municipalities annual conference in October 2005.

FORESIGHT – strategies to keep the spirit alive

Good things that will make lasting improvements in our economy don't happen without a lot of hard work and cooperation between government, citizens, and the business community. It takes vision and spirit to improve an economy. This spirit has been challenged as we have sought ways to succeed in a new economic landscape. At one time, Catawba County's workforce was dominated by manufacturing, and economic development meant



working to attract plants looking for a large, lower cost labor force with basic education and training. This type of economic development focused on generating jobs that required a high school diploma.

We began to see an economic shift in our local economy in 2000 that led to significant job losses in the textile and manufacturing areas. New ways to invest in economic development and attract business became critical, not only to address the short term problem of people out of work but also to identify long term strategies to diversify our economy and help protect us from future economic downturns. The strategic planning process known as FORESIGHT, an effort which originally began in 1985 to bring business, cultural, educational, and governmental leaders in the County together to develop long range strategic planning goals, was reactivated by the Board of Commissioners in 2001. The goal was to develop strategies for Catawba County's long-term economic growth over the next ten to fifteen years.

The final report from the FORESIGHT Committee, presented in July 2004, offers the County and its citizens, business, government, and non-profit sectors a blueprint for the future. The Board of Commissioners has held public meetings on each of the four focus areas of FORESIGHT:

1. Jobs and Business Creation
2. Political Activity and Leadership
3. Environment
4. Education

In the area of Jobs and Business Creation, the idea of a multi-jurisdictional business park is being discussed by the government sector, under the leadership of the Economic Development Corporation. The park would be a partnership between local governments, and could include the private sector, with each partner receiving revenue from development in proportion to their investment in land, utilities, paving, etc. A FORESIGHT recommendation to develop a Most Favored Business Program targeting specific industries that pay above average wages and are predicted to have strong job growth is under consideration by the County and municipalities.

The Board of Commissioners has set a goal of having ten more Catawba County residents appointed to Statewide boards and commissions by 2010, in order to influence State policy and programs that have an impact on our economy and quality of life. This is a direct outcome of the Political Activity and Leadership recommendations.

In the area of the environment, FORESIGHT identified a goal to improve air quality in Catawba County in order to protect our public health and prevent negative economic impacts resulting from an Environmental Protection Agency (EPA)

Air quality concerns could result in less freedom for individuals and more restrictions on economic development in Catawba County.

non-attainment designation. Of greatest concern is the County's level of Particulate Matter

(PM) 2.5, which is a complex mixture of extremely small particles and liquid droplets that can be emitted directly or formed in the air from gases. Particulate matter is associated with health risks, can harm the environment, and is also the major source of haze that reduces visibility in many parts of the United States. While the EPA website lists our air quality in Catawba County as good, the EPA's rating for PM 2.5 puts us at non-attainment status. For Catawba County this could mean the potential loss of revenue from new businesses and consumers, as well as the potential loss of a significant number of jobs. In simple terms, the air quality concerns could result in less freedom for individuals and more restrictions on economic development in Catawba County. Another concern is the fact that the State and EPA cannot tell us what is causing our high reading. In an effort to merge our ozone and PM 2.5 reduction strategies and to create a comprehensive approach to addressing our air quality problems, the budget includes funds for the County's share of a regional air quality specialist employed by the Western Piedmont Council of Governments, using the same regional strategy as is used in transportation planning and Catawba River water quality.

The implementation of a local erosion and sedimentation control program fulfills another environmental strategy identified in the FORESIGHT final report and addresses a goal of the Board of Commissioners to improve customer service. The FORESIGHT report stated that sediment, North Carolina's most common water pollutant, is a critical issue facing the County's streams and lakes. The budget for Fiscal Year 2004/05 included a goal by the Board of Commissioners for Catawba County to administer a local erosion and sedimentation control program, moving administration and enforcement of erosion and sedimentation control to Catawba County, instead of with the State of North Carolina. Local administration will provide benefit to developers and contractors through reduced permitting time and improved field service and provide benefit to our citizens through more frequent inspections and more rapid enforcement of State erosion and sedimentation control regulations. Currently the North Carolina Department of Environmental and Natural Resources (NCDENR) may take up to 90 days for permit approval. With this new ordinance, plans and permits will be processed at Catawba County's two permit centers by local staff within 10 days of submittal. The County will take over the Sedimentation and Erosion Control program for development of properties over one acre, and funds are included in the Fiscal Year 2005/06 budget to fully implement the program on July 1, 2005.

Several strategies were recommended by FORESIGHT that target improvement in education, most of which involve increased funding. The three boards of education gave as their number one funding priority a need to increase teacher supplements from the current 7%, in order to retain and attract qualified teachers to this area. The actual goal stated in the FORESIGHT report is to increase the local teacher supplement to rank in the top 5% of North Carolina schools within 5 years.

Additionally, teacher base salaries need to increase. While counties provide supplements to teacher salaries, it is the sole responsibility of the State of North Carolina to set base teacher pay. The work of public education is a partnership between the State and counties. Competitive pay must be the commitment of the State, through base pay, and

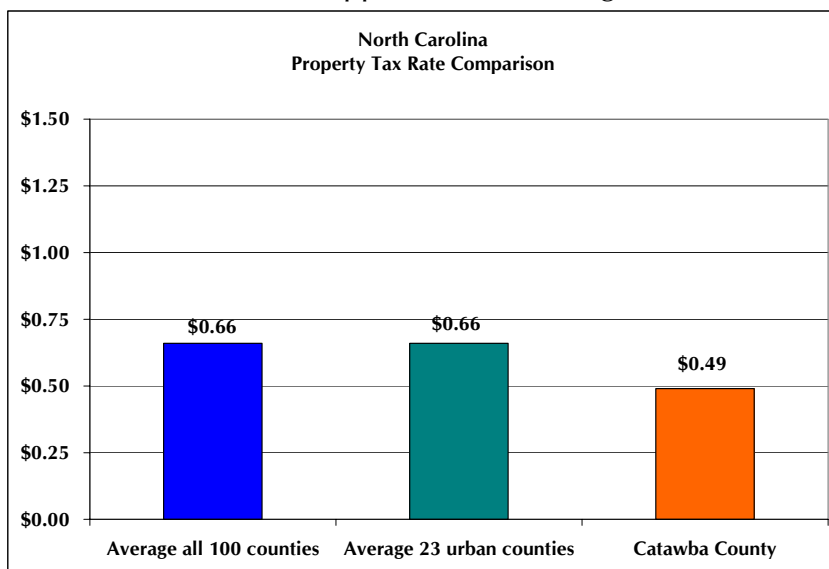
the county, through supplements, to effectively recruit and retain quality teachers. The State should continue to diligently work towards improving base teacher pay to guarantee quality recruitment and retention.

We all understand the importance of public education and how critical it is to our future economic development. The quality of our work force and our ability to attract new business depends on the investment we are willing to make to improve student performance. Improved education will promote economic development and, in light of the momentum in our economy noted earlier, investment in education will help keep the momentum going. For this reason the budget includes funds to meet the schools' number

The budget includes a 2% teacher supplement based on performance.

one priority, teacher supplements. The budget includes funds to provide a 2% teacher supplement that is not allocated across-the-board, but is based on performance. Funds are approved to provide the 2% supplement to approximately 70% of the staff, based on either individual or school performance, a decision that will be made by each board of education. We are fortunate to have the high quality and caliber of personnel teaching our youth. The business community and local government, however, recognize that not everyone is able to do their best work every year, and that all employees don't have the opportunity to excel every single year. Therefore, funds are approved to give the boards of education the flexibility to design their approach to rewarding performance. The three school systems have committed approximately \$200,000 to increase recruitment efforts for quality teachers. With Catawba County and the three school systems doing their part, I hope that the local business community, through the leadership of the Chamber of Commerce, will embrace the need to fund an initiative to improve education locally, and that the State of North Carolina will do its part by continuing to increase base salaries for educators.

In order to provide funding for this additional 2% supplement the budget includes an increase of one cent on the property tax rate. This will increase the rate to \$0.49 per \$100 of valuation. Our rate will still be the 3rd lowest of North Carolina's urban counties and 14th lowest in the State. The property tax paid per capita (combining property values and the tax rate) in Catawba County will remain in the bottom half of the State's urban counties. The one-cent increase means \$13.50 a year, or as little as 25 cents a week, for the



owner of a \$135,000 property, the average value of a house in Catawba County. It's a small price to pay for the investment in education and our economic future.

Growth Management continues to be a High Priority:

The 2004/05 Fiscal Year saw the completion of five of seven recommended Small Area Plans—Mountain View, Sherrills Ford, St. Stephens/Oxford, Balls Creek, and Catawba. The two remaining Small Area Plans for Startown and Plateau are scheduled for adoption during the 2005/06 Fiscal Year. The plans address seven issues: land use and community design, transportation, community facilities and public services, housing, economic development, natural resources, and cultural resources. The plans take into consideration other essential aspects of growth management such as the impact on travel and tourism, community and economic development, and the environment.

Updating the County's codes and ordinances to reflect the small area plans in a Unified Development Ordinance (UDO) will be accomplished during this fiscal year. This will be the first wholesale revision to the codes and ordinances since 1990 and fulfills a Board of Commissioners goal.

Funding ongoing customer service improvements

Over the years, Catawba County has created a highly receptive business climate. The Board of Commissioners understands the importance of partnership between the development, construction, and building services communities. To this end, the budget includes several enhancements to improve the delivery of services to both the business community and our citizens at large.

- In our continued effort to improve building services, the budget includes funds to fully implement a Mobile Highway project, which will allow building services officials to work from their vehicles via laptop computers. This will increase the inspectors' time each day in the field performing inspections and provide inspection results more quickly to contractors and owners. It is estimated that productivity will increase by a total of thirty (30) inspections per day without the need for additional staff. Building services officials will be able to view, sort, and print daily inspection assignments directly to their laptop, minimizing the need for inspectors to come into the office. This will allow the official to spend the entire day in the field conducting inspections. Contractors and owners will be able to receive updated inspection results as they are entered by building services officials in the field, in real time via the Internet. The ability to print inspection results for customers on-site will also be possible with vehicle-mounted technology. This project began as a pilot with six building officials in the 2004/05 Fiscal Year.
- New investment in technology will reduce the need for citizens to come into the Register of Deeds office to look up deeds and recorded instruments. This information will now be available through the Internet. Currently, information recorded back to 2001 is available on line and, by the end of the year, the public will be able to access deeds back to 1993. Work will also take place this year to redesign congested work areas, providing citizens easier access to books and files.

- A new expansion to the Animal Shelter will provide space to house an additional 40 to 60 animals. The ability to put the more aggressive and less adoptable animals in this new expanded space will provide a more customer friendly environment for the public to come into the Shelter and view animals available for adoption. The added space will also enable the Shelter to hold animals longer, giving them a better chance of being adopted. The Shelter staff will begin administering lethal injections for diseased or unwanted animals, a much more humane method.

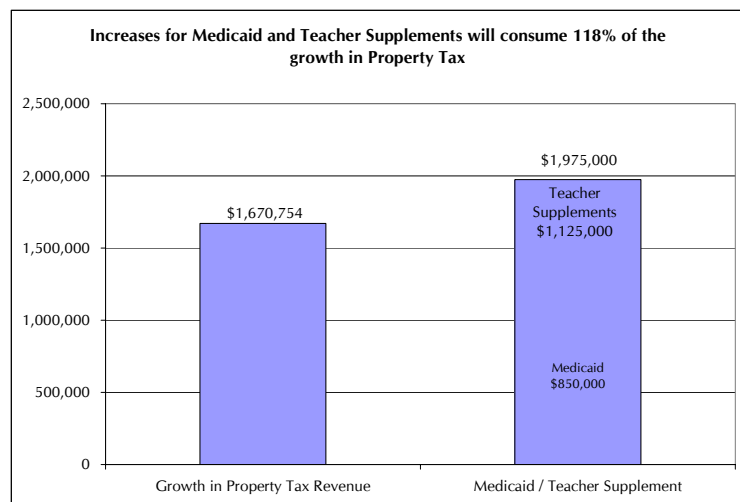
The County's Financial Picture

Our property tax continues to play a significant role in our ability to finance local services, because there is no viable replacement and the State limits our revenue options. The Board of Commissioners and the North Carolina Association of County Commissioners are on record requesting that the General Assembly approve a menu of revenue options for cities and counties to use as service, education, and Medicaid demands increase. Over the years, the General Assembly has granted to certain local governments authority for special fees and taxes on land transfers, meals, sales, entertainment seating, etc., but the authority has not been granted to all cities and counties. If local governments had additional options to raise revenue, the property tax would not bear the brunt of State mandates or demand for increased services.

The growth in the property tax base is directly tied to the economy. As business profits have decreased, business expansion opportunities have decreased, resulting in idle equipment, fewer inventories, plant closings and appeals by large industries and businesses of property values to the State Property Tax Commission. Consequently, the average 3.5% annual growth we had previously been experiencing has decreased to the point that we are projecting growth in the tax base of around seven-tenths of a percent in Fiscal Year 2005/06. However, the long-term prospects are encouraging, because sales in residential and commercial property are exceeding tax value.

Medicaid Relief – the most critical issue facing counties.

The growing costs of Medicaid continue to be the most critical issue facing counties. As a result of recent legislation in New York's State Legislature designed to cap county costs for Medicaid, North Carolina will be the only state that still requires counties to share in non-Federal Medicaid costs for most programs. On average, the County share of Medicaid costs has increased 10% each year, compared with growth in our revenue base of only 1-2%. For Catawba County, this is significant because approximately 16% percent of the population is Medicaid eligible. Mandated



services are expected to increase by \$950,000 from Fiscal Year 2004/05 to Fiscal Year 2005/06, and Medicaid costs account for \$850,000 of this increase.

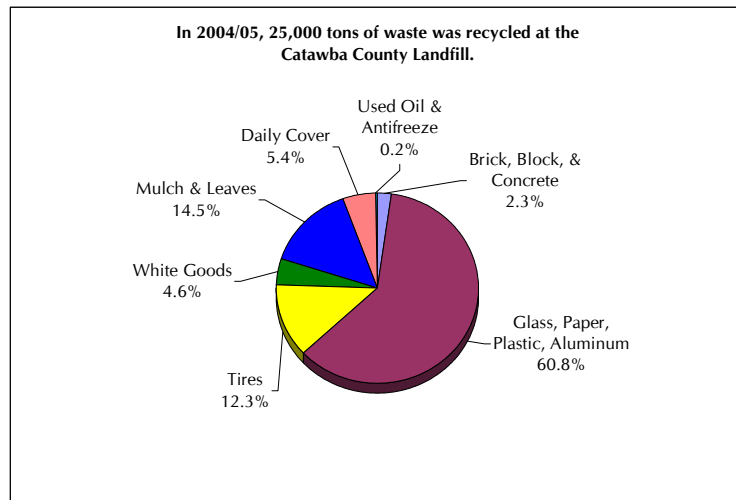
Discussions at the Federal level are cause for concern because there are no plans to help the State cover rising costs. Concerns are that any efforts in achieving Federal reform of the Medicaid system will result in additional costs to state and county governments through cost shifting. We understand the need for Medicaid reform, but simply shifting Federal costs to states and counties as a deficit reduction strategy on the part of the Federal or State government is wrong. Any Medicaid reform should result in cost savings and efficiencies for both the State of North Carolina and counties.

If the State assumed the cost of Medicaid, the County would save 5 1/2 cents on the tax rate.

In an effort to target Medicaid relief, legislation has been introduced in the General Assembly through several bills to gradually phase out the county share of the State's Medicaid costs. One bill calls for capping county costs at Fiscal Year 2004/05 levels and providing targeted relief for counties whose Medicaid-eligible population is greater than 25%. For counties meeting this threshold, Medicaid costs would be reduced by an additional one-third each year. Under the proposal, the county share of 15% would be phased out by 2.5 percent each year, starting immediately, until full elimination is achieved by July 1, 2010. Catawba County's total Medicaid bill from the State of North Carolina next year will be \$7.2 million, so it is in the best interest of Catawba County that this or some similar legislation be passed in order to free local dollars for local needs that are the responsibility of county government.

New recycling/waste reduction programs are paying high dividends

Catawba County has been a leader in North Carolina in recycling and in educational outreach to promote good stewardship of our natural resources. In fact, the County was just named 5th best out of 100 counties in North Carolina for its recycling efforts. This



leadership role began in 1990 when we became the first county in the state to provide curbside recycling. The budget continues funding for recycling and education efforts, including two residential household hazardous waste collection events that will give citizens an opportunity to dispose of hazardous materials such as paint, motor oil and insecticides, and certain electronic equipment, to keep them out of our Landfill, groundwater, and

waterways. In another initiative, the Litter Task Force, comprised of County and municipal staff and volunteers, has recommended that the County become an affiliate with Keep America Beautiful.

The budget includes funds to cover preliminary design costs for a Regional Biosolids Processing Facility, a new project under development. This will replace the Regional Composting Facility jointly owned by Hickory, Conover, and Catawba County. The goals of this project are to relocate biosolids processing from the current composting facility to the County's Blackburn Landfill, and use a more efficient, state of the art, thermal drying process. Locating the facility at the Blackburn Landfill gives us the opportunity to

take advantage of synergies with other ongoing and planned programs at the Landfill. Electricity and waste heat generated by the existing Landfill gas-to-energy project will be used to

A regional biosolids processing facility will position Catawba County at the forefront of solid waste disposal.

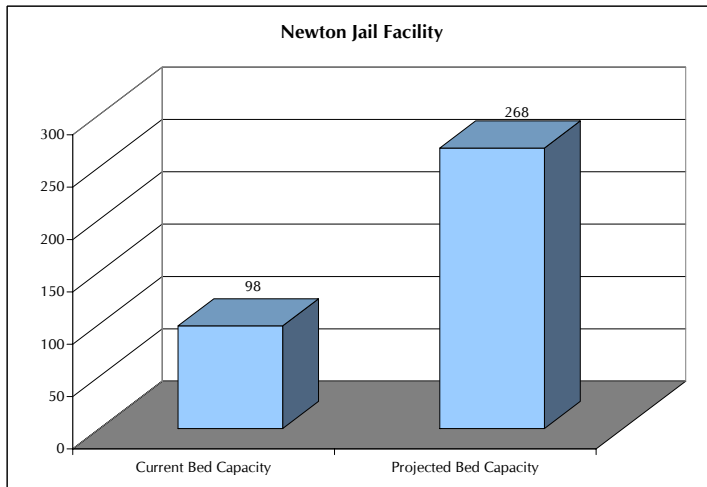
reduce energy costs for the new facility, while providing additional revenue to the gas-to-energy project. Methane gas generated from the biosolids will be recovered and used as a supplemental energy source. Liquid generated from the dewatering of the biosolids will be injected into the Landfill to generate additional Landfill gas. This liquid injection will help stabilize the landfilled waste and reduce possible impacts to the environment. The County is exploring opportunities with the private sector to construct greenhouses adjacent to the new biosolids facility. Although component parts of the project, such as greenhouses, methane reuse, and drying solids exist around the country, a project of this magnitude with all of the parts integrated does not exist anywhere in the world. This will continue to position Catawba County at the forefront of solid waste disposal.

Plans are underway and funding is included for engineering, design, site suitability, and permitting for Unit 3 of the Blackburn Landfill Subtitle D Cell. The projected cost of the unit will be spread over a four-year period. With our careful purchase of land and extensive recycling, the County has landfill space for the next thirty-five to forty years.

Public Safety improvements continue to be a prime focus

The County continues to aggressively seek and receive grants for its share of Federal Homeland Security funds to keep the community safe. Catawba County received \$281,000 in Homeland Security funds in the past fiscal year, which allowed improvements in building security; replacement and upgrading of radio equipment; and the upfit of a mobile command post purchased in 2004. The County has also partnered with the Highway Patrol to apply for two Homeland Security grants in 2005 that would provide four new tower locations within Catawba County and be beneficial to all emergency service providers. The additional towers, designed to improve communications, would result in increased coverage, allowing field units to have clearer communication from one side of the County to the other, and this improved communication would mean help to citizens quicker and more efficiently.

Construction of an expansion to our current jail facility will continue throughout the year, with completion scheduled for the fall of 2006. The project will add more beds to the

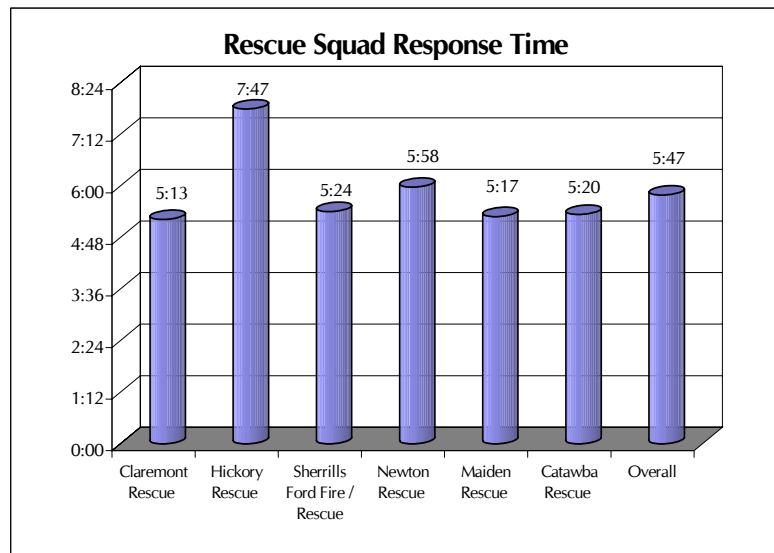


Newton Jail, bringing our total jail capacity to 268. Even with the jail expansion, the County will continue joint ownership with Burke County of the Burke-Catawba District Confinement Facility in Morganton. This joint venture was a smart investment, allowing us to meet our jail needs for the past 10 years without constructing a new facility. Any of Catawba County's allotted beds not being used in the Burke-Catawba facility will be leased to

the State, federal government or other counties, providing some offsetting revenues to help cover our share of the contract. Continuation of this arrangement with Burke County also gives us the benefit of having extra beds as more are needed in the future.

In 2001, the Board of Commissioners adopted a series of strategies designed to improve our overall emergency service response. To date, much has been accomplished—

- Partnerships with agencies have been established to make better use of staff and equipment, such as the Oxford Base, which was opened in a cooperative effort with the Oxford Fire Department and the Claremont Rescue Squad;
- Through the First Responder Program an average Countywide medical response time of under 6 minutes has been accomplished;
- A house number ordinance was adopted and implemented;
- An increase in telecommunications and records staff has made operations more efficient;
- Propst and Sherrills Ford bases were brought from quick response to full 24/7 service;



- A special response team was created to respond to infrequent, but potentially harmful situations including trench rescue, high angle/rope rescue, and confined space rescue;
- EMS shift supervisors were added to better respond to our citizens;
- An ambulance replacement schedule was created to ensure that equipment is available to respond to calls;
- Adjustments in fire department boundaries were made where it helped response time;
- An Emergency Services Planning Committee was established to bring members from all public safety disciplines together to discuss issues and plan for the future.

Moving forward, staff will be concentrating on the next phase of implementing the emergency services plan--

- Increasing recruitment efforts for rescue squad and fire department members due to an anticipated shortfall of volunteers;
- Reviewing rescue squad and fire department district boundaries to ensure the best response and use of equipment and personnel;
- Examining the best placement of bases as our population grows, to ensure the best response and most efficient use of facilities for multiple agencies;
- Coordinating communications equipment, such as radios, to ensure that all systems are operable.
- Partnering with the North Carolina Highway Patrol to upgrade our telecommunications infrastructure;
- Developing and locating a true E911 backup;
- Development of a false alarm ordinance;
- Continuing to upgrade our emergency preparedness capabilities to ensure the citizens of Catawba County are as safe as possible in the event of a major disaster or event.

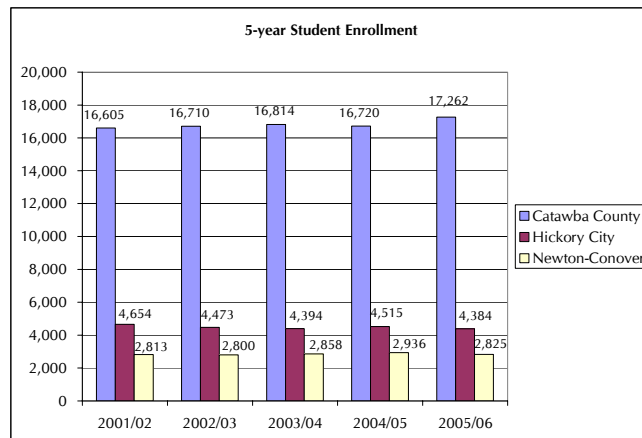
Ten of the sixteen fire districts will maintain their current tax rates for Fiscal Year 2005/06. These fire departments continue to replace vital equipment and fund improvements to existing fire stations. Conover is scheduled to have its third fire station, which will be located at Lyle Creek, completed in July. Mountain View has added a second station at the base of Bakers Mountain, and both Sherrills Ford and Catawba have secured land for expansions.

Six fire districts will have rate changes to increase service. The Newton rural tax district will have an increase of \$0.0187, which will provide \$78,173 in revenue towards the cost of paid staff for the department due to the decline in the number of volunteers, which reflects nationwide trends. Fairbrook's rate will increase by \$0.0068 and produce \$5,793 to assist in maintaining ongoing operating costs. Viewmont's rate will increase by \$0.0077, and the \$10,017 will help with the cost of maintaining equipment and apparatus. Bandys' rate will increase by \$0.011 generating \$15,494 in revenue to go toward the purchase of property for a future expansion of the fire station. Sherrills Ford will increase its rate by \$0.01 for \$89,665 toward their new building project. And finally, Denver's

rate will increase by \$0.005, producing \$15,494 toward the addition of a firefighter position to help improve response times.

Moving forward with projects to improve school facilities

More than one-third of the total County budget and almost half of our local revenues go toward funding the instructional costs and capital needs of our three public school systems and the community college. The County is required to fund each school system an equal amount per pupil. The budget includes an increase of \$23 per pupil plus \$46 per pupil for an increase to teacher supplements, for a total of \$1,194 per pupil. Once again, pupil enrollment numbers appear to be increasing in the Catawba County school system—Catawba County schools will increase by 542, Hickory City schools will decrease by 131, and Newton-Conover schools will decrease by 111. Overall, the State certified enrollment numbers for the three school systems project a net increase of 300 pupils next year.



When the tax rate was set in Fiscal Year 2003/04 following revaluation, 2 cents of the property tax was earmarked to pay the debt on five school and community college projects scheduled during the current four-year revaluation cycle. The debt on these projects has been issued through a financing option called Certificates of Participation (COPs), and made feasible by very low interest rates. The funds allow construction of a new Maiden High School scheduled for completion for the 2006 school year; a new classroom/library building at Catawba Valley Community College that is part of a larger project using State funds for Math and Science classrooms, to be completed by December 2005; renovations to convert the current Tuttle Middle School to an elementary school and the old Maiden High School to a middle school; and a new elementary school for Catawba County Schools, which is still in the planning stages. Funding for debt payments on a new middle school for the Hickory City school system due to open in the upcoming school year is also included. Any additional building projects in future years will require a tax increase when a new rate is set following the next property revaluation in 2007.

Local dollars and State Average Daily Membership funds will pay for other school capital needs, including:

- For Catawba County Schools, funds to furnish the new Maiden High School; additional parking and air-conditioning of the gym at Maiden Middle School; minimum classroom renovations to convert Tuttle Middle School to an elementary school; re-roofing projects at St. Stephens, Banoak, Claremont, and Maiden Middle; and the purchase of four (4) new buses.

- For Hickory Public Schools, funds to complete final renovations of the American Legion Building to expand the Hickory High campus; renovations to the vocational building to add the Jr. ROTC Program at the high school; and funds for asbestos abatement.
- For Newton-Conover Schools, funds to replace chillers at Newton-Conover Middle School and Conover Elementary School; purchase of an energy efficiency control system to be used systemwide; renovations to bathrooms at South Newton Elementary School; and funds for a new intercom/bell system at Thornton and South Newton Elementary.

The Capital Outlay Budget also includes \$46 per pupil for small capital and repair needs costing less than \$12,500, and \$10 per pupil for technology needs, such as computer and audio visual equipment purchases.

Capital projects for Catawba Valley Community College include funds to replace the turf management building; a new sign for the East Campus; repairs to the floor and replacement of the chiller at the multi-purpose complex; increased parking lot security; and telephone upgrades and new equipment for the new classroom/library building under construction. Funds are also included for general renovations and repairs throughout the campus.

Public Health, Mental Health, Social Services

The Public Health budget includes a 3% increase in County funding, which is 16% of their total budget. The department started several health initiatives in Fiscal Year 2004/05, including the Totally Teens Health Center Mobile Unit, School Nurse Assistants and School Nurse positions for Hickory Public Schools, and Child Service Coordination

Healthy Carolinians remains a primary focus for the Public Health Department.

Services under a contract with Burke County. Healthy Carolinians remains a primary focus for the Public Health Department. The Catawba County Health Partners (CCHP) is working with community organizations to enhance the quality

of life in Catawba County. The partnership will identify community needs, formulate solutions, attract new grant opportunities, and increase visibility and awareness of preventive health practices, recruit more volunteers, and increase community participation in activities. Based on a community assessment the three main health focus areas for Catawba County are access to healthcare, childhood obesity, and substance abuse. Improving upon these core areas is essential because good health among citizens is a means for achieving a high quality of life and economic prosperity in the County.

The County funds 7% of Mental Health's budget, with the remainder coming from State and Federal dollars. Mental Health's budget reflects the first full year of operating as the LME (local managing entity), divested by State mandate of the services they previously provided. The 2004/05 Fiscal Year budget reflected the move of approximately 42 employees to Social Services as part of Family NET (nurturing, education, and treating Catawba County's children, youth, and families), and in January 2005 another 92

employees moved to the non-profit agency Catawba Valley Behavioral Healthcare (CVBH). Mental Health now contracts with Family NET, CVBH, and a qualified provider network of some 75 agencies to provide all former Mental Health services including therapeutic foster care, family and children outpatient therapy, substance abuse services, residential services, detox, halfway house services, and employee assistance programs. Though the Fiscal Year 2005/06 budget reflects the decrease of 92 FTEs that moved to the CVBH, the overall dollars reflect little change since all funding for the Family NET, the CVBH, and the qualified network of service providers will continue to be contracted through Mental Health and the dollars will flow through the County budget.

The Social Services budget reflects an 8% increase in County funding as a result of a \$950,000 increase in Public Assistance. The County funds 36% of Social Services' budget. Most of the increase is driven by Medicaid, but also includes foster care, adoptions, and nursing home payments.

Social Services has completed the first year of contracting with Mental Health to provide services for women and children through Family NET. The overall evaluation is that the programs are working well, with 46% growth in the number of children served. Citizens as well as the school systems are using the services, and family physicians are referring patients at an average of three per day.

In the area of initiatives designed to assist the "working poor" the department has implemented several economic literacy classes for Work First clients. The classes include educational sessions on budgeting, banking, saving money, and finding desirable employment. Efforts also include working with a local bank to coordinate a check cashing system that would permit Work First clients to cash their checks without paying fees. These efforts are part of the department's focus on strengthening families and addressing community needs.

Social Services continues to focus on strengthening families and addressing community needs.

Wellbucks - a new emphasis on workforce wellness

Health insurance costs continue to climb nationally. Rising health care costs can take a toll on local government finances, we have been very fortunate that our numbers have grown at a lower rate than the national trends. We attribute this to our proactive efforts through the employee health clinic and our health screening programs. Figures for 2004/05 indicate that 91 employees visit the clinic each month. Based on the cost of the average doctor's office visit this saved the County \$36,000 during this time period. The

Our goal through Wellbucks is to improve the overall health of the County workforce.

clinic's ability to handle workers' compensation visits and perform OSHA required tests resulted in cost savings of an additional \$24,250. When you factor in lost time from work, this adds an estimated \$23,000 to the savings, for a total of \$83,250. With

employees having quick and easy access to medical care and health screenings this has improved our ability to catch potential medical problems early and result in long-term

savings in the number of medical claims. In light of the fact that we see numbers higher than we would like, primarily in the use of prescription drugs, we must continue to be diligent in developing solutions to contain our health costs. Fiscal Year 2005/06 will be the first full year of implementation of a Wellbucks Wellness Program. Our goal through this program is to improve the overall health of the County workforce by promoting and encouraging healthy lifestyles and habits, which in turn will help reduce our health insurance claims and the use of sick leave. Due to our efforts, we project only a 2% increase in health insurance premiums, and a 3% increase in dental premiums.

The approved budget includes the addition of two new full time equivalents (FTEs)—an Animal Shelter position and EMS training officer—and a reduction of 92 FTEs as a result of Mental Health employees moving to Catawba Valley Behavioral Health as part of Mental Health Reform, for a net reduction of 90 FTEs. The budget includes a 2% cost of living adjustment to keep salaries competitive. Based on performance, 1% is budgeted for employees who meet annual expectations and 70% of employees will be eligible for a \$500 increase if they exceed expectations.

Conclusion

Our local economy is showing signs of improvement. Catawba County continues to plan for issues related to growth, waste reduction, public safety and the health of the community. The FORESIGHT strategic plan resulted in many good strategies that can come to fruition if citizens, government, and the business community keep the momentum going and support the efforts. The FORESIGHT strategies funded in this budget show the County's commitment to do its part in moving forward in education, economic development and the environment. All of these investments will have benefit for years to come, as we strive to provide the most effective mix of service to the citizens of Catawba County.

This budget message, as well as the complete budget document, may be accessed on the Internet at www.catawbacountync.gov or any of the public libraries in Catawba County.

Respectfully submitted,

A handwritten signature in black ink, reading "J. Thomas Lundy". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

J. Thomas Lundy
County Manager